

**Written Testimony of Thomas Fish
President of Anvil International
Before the U.S. House Appropriations Committee,
Subcommittee on Commerce, State, and Judiciary**

“The Effect of Chinese Imports on U.S. Manufacturing”

May 22, 2003 – 10:00 A.M.

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Good morning Chairman Wolf and members of the Committee. My name is Tom Fish and I am President of Anvil International. Anvil is a producer of malleable, non-malleable and ductile iron pipe fittings as well as steel pipe nipples, hangers and couplings. We also have our own nationwide distribution organization consisting of 5 distribution centers that supply a wide range of construction products to the commercial building industry. We have 12 manufacturing plants in the United States and Canada and a total of 2600 employees.

Prior to 2001, we had two foundries, one in Statesboro, Georgia and one in Columbia, Pennsylvania. Due to our loss of market share to the low priced Chinese products, Anvil found itself with excess foundry capacity. In an effort to solve our excess capacity problem and reduce our manufacturing costs, we shut down our Statesboro foundry in 2001, eliminated 350 jobs and consolidated our foundry production into our Columbia, Pennsylvania facility at a cost of approximately \$20 million. Our plan was to add approximately 200 jobs at our Columbia foundry as we combined production and equipment from the two foundries into one. However, the actual results have been that we have 100 less employees at Columbia today as we continue to lose market share to imports from China.

Now my colleague Mr. Gleason has already spoken about our tremendous disappointment with the results of the two dumping cases we have done on pipe fittings. I wanted to talk about our pipe nipple business and the problems we have with imports from China.

In 2001, Anvil acquired Beck Manufacturing, the second largest pipe nipple producer in the United States, and we consolidated all of our pipe nipple operations in the U.S. from three plants into two to achieve cost savings. This happened in the midst of the steel 201 investigation. We thought it was good to be doing what the Administration was telling the steel industry to do, consolidate, rationalize and become more competitive. The tariffs that were

imposed on pipe, our primary raw material, were 30% and the tariffs imposed on Chinese nipples were only 13%. What has happened since these 13% tariffs were applied? Well, our cost of raw materials increased by 30% and imports of nipples from China have increased by an additional 50% as our Chinese competitors simply absorbed the 13% tariff.

We were having this same problem in Canada where nipples from China were taking as much as a third of the Canadian market. Our Canadian operation filed a dumping case last year against pipe nipples from China and recently obtained preliminary dumping margins ranging from 100-200%. The result is that our Canadian manufacturing operations are improving. Unfortunately, the Chinese are now shipping all of the pipe nipples they previously exported to Canada to the United States. We have contemplated filing a case in the United States, but why bother when the Commerce Department won't find meaningful dumping margins regardless of the facts. As a businessman, I don't really understand all the dumping methodology calculations. I do know that steel and steel pipe are both more expensive in China than they are in the United States. However, Commerce doesn't use real Chinese cost. I also know my Chinese competitors get loans from Chinese banks that they do not repay. However, our counsel tells us we don't even enforce anti-subsidy laws against Chinese companies. I just don't understand.

However, as a businessman whose job is to make a profit for investors, I do understand that my owners are telling me that our nationwide distribution system is not making the return on assets that it should because we are losing share to other distributors that are distributing cheaper Chinese products. Our focus is distributing products that we make in our own manufacturing facilities. The answer is clear; our company can make more money by shutting down our U.S. based manufacturing facilities and distributing Chinese products than we can by operating U.S. based manufacturing facilities and distributing the products that we make. There's a lot of talk in Washington these days about deflation. I see deflation every day. Deflation is when hundreds of products used in the construction market are now being sold for half as much as they were five years ago. Anybody that wants to know what's causing deflationary pressures in the price of goods in the United States has to go no further than to their local Home Depot or Wal-Mart and see that everything being sold there is from China. Let me be blunt, cheap imports from China are deflationary. Let me also tell you that the fall in the dollar doesn't mean a hill of beans to businesses like mine when the competition is with China. The Chinese government has fixed their exchange rate at the same rate to the U.S. dollar for the past ten years. It is just another

form of unfair trade. Yet our government does absolutely nothing about it.

Mr. Chairman, I know this is a non-partisan issue. Our company's headquarters are in New Hampshire. We have two Republican senators and a Republican Congressman. Our largest manufacturing facility is in Columbia, Pennsylvania where we have a Republican Congressman and two Republican senators. Every chance I have, I plead with these Republican members of Congress to tell this White House that the old adage "it's the economy" really means something and that I don't see how American workers can support an Administration whose trade policies don't seem to care about their jobs. Mr. Chairman, thank you for the opportunity to testify here today and I hope that your subcommittee can get the Commerce Department on the right track.

Bio Profile

Thomas E. Fish, President, Anvil International, Inc. Portsmouth, NH

Tom Fish serves as President of Anvil International Inc., headquartered in Portsmouth, New Hampshire. Anvil is a producer of a variety of pipe fitting products which are used in the conveyance of water and natural gas and in sprinkler applications. Anvil operates a foundry and manufacturing plant in Columbia, Pennsylvania. Mr. Fish has been President of Anvil since 1999. Prior to this time he has held various positions in his 21- year career with the company. He obtained his B.S. in Accounting from the University of Rhode Island and is a Certified Public Accountant.